

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Municipal Administration and Urban Development Department - 13th Finance Commission - Implementation of Stipulated Condition No. 1(b)-Accrual Based Accounting System(A.P. Municipal Accounts Reform Project)- and strengthening of State Audit - Setting up Municipal Accounts & Audit Reforms Cell (MAARC) and Municipal Accounts & Audit Co-ordination Committee (MAACC) at the O/o Director of Municipal Administration, for institutionalization of Accrual Based Accounting Reform and Strengthening of State Audit in Urban Local Bodies of Andhra Pradesh under 13th Finance Commission – Orders - Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (R) DEPARTMENT

G.O.Ms.No 270

Dated:15.07.2011
Read the following

- 1.G.O. Rt. No 287, MA&UD(R) Department, Dated 21-05-2011
2. From the Commissioner & Director of Municipal Administration,
AP, Hyderabad Lr. No. 104/DEABAS/XIII FC/CDMA Dt 10.06.2011

ORDER

The XIII Finance Commission has stipulated 9 conditions to be fulfilled by the State Government, one of which (condition no. 1.b.), is that Urban Local Bodies shall maintain accounts in Accrual Based Accounting System, consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual.

2. This key Urban Reform was also recommended earlier, by previous Finance Commissions as well as the Second Administrative Reforms Commission and is a mandated Urban Local Body reform under Government of Indias flagship program ,JNNURM. In fact, it was, basing upon the recommendation of the Eleventh Finance Commission, the Government Of India (GoI) , in 2001 , issued guidelines to Comptroller & Auditor General of India ,(CAG) to prescribe certain formats for Urban Local Bodies, amenable to computerization. In September 2004, the National Municipal Accounting Manual(NMAM) developed by CAG , was made available to all State Governments, including Andhra Pradesh for necessary adoption.

3. The Government of Andhra Pradesh, as part of the above initiative , has issued orders in *GO Ms. No. 233 MA&UD Department, Dated:22-5-2002*, with instructions to all the Urban Local Bodies/Corporations to adopt, with immediate effect the Accrual Based Accounting system within their jurisdiction. Further in *GO Ms. No.619 MA&UD Department , Dated:, 21-08-2007*, the Government(GOAP) , directed all the ULBs in the State to implement the A.P. Municipal Accounting Manuals((Double Entry Accrual Based Accounting System) which has been adopted by the State Government, from NMAM, with the help of Centre For Good Governance(CGG).

4. Further, the Government has also issued orders vide reference 1st read above , approving a strategy submitted by the Commissioner and Director of Municipal Administration, to implement the Accrual Based Accounting System in all ULBs of the State (except GHMC) under XIII Finance Commission, christened as the *Andhra Pradesh Municipal Accounting Reform Project*.

5. *The XIII FC also recommends that State Governments should appropriately strengthen their local fund audit departments through capacity building as well as personnel augmentation.* It is thus evident that XIII Finance Commission has envisioned a comprehensive Accounting and Auditing reform , and not just the accounting aspect of the reform.

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6. In this context, vide reference 2nd read above, the Commissioner and Director of Municipal Administration, has submitted a proposal for setting up of :

- i. A Municipal Accounts and Audit Reforms Cell (MAARC) for operationalising accounting & audit under the new accounting system.

AND

- ii. A Municipal Accounts and Audit Coordination Committee(MAACC) ,for reviewing the progress of Accounts and Audit of ULBs, Functioning of the MAARC Cell, institutionalization of the Accounting and Auditing Reforms in the State, and any other issue included by the Commissioner and Director Municipal Administration towards this direction.

7. The Commissioner and Director of Municipal Administration further reported that the above institutionalization measures would be key for lending sustainability to the Accounting and Auditing Reform in Urban Local Bodies of Andhra Pradesh, initiated by the Municipal Administration and Urban Development Department, under XIII Finance Commission and for strengthening of State Audit as envisioned by the XIII Finance Commission.

8. Government after careful examination of the matter and in due consultation with the Finance Department, and after detailed scrutiny of the Proposal for Municipal Accounts & Audit Reforms Cell (MAARC) & Municipal Accounts & Audit Coordination Committee (MAACC) submitted by the Commissioner and Director of Municipal Administration, approves the above MAARC & MAACC proposal and issue the following orders:

- i. **A Municipal Accounts & Audit Reforms Cell (MAARC)** shall be created and function in the O/o DMA, AP Hyderabad , initially with the following Expertise and Support staff: (a) 3 Senior Auditors/ Technicians (b) 3 Data Entry Operators (c) 1 Supervising Officer in the cadre of Audit officer/Asst Audit officer.

- ii. The expertise and the support services above shall be provided by the Director State Audit.

iii. This Scope and Nature of Work of the MAARC Cell shall be as follows:

- (a) Audit the Accounting Deliverables submitted by the RCA Firms under the AP Municipal Accounting Reform Project, and recommend necessary project releases, to the RCA Firms under the Project Agreements, for the Accounting Work Delivered by them.
- (b) Monitoring and Evaluation of the Accounting Reform in AP, during the XIII FC Period, (F.Y.2010-15), specifically the recently launched AP Municipal Accounting Reform Project for F.Y.2009-10 & F.Y.2010-11.
- (c) Co-ordination of Training and Capacity Building (Accounting and Auditing) and other institutional arrangements for ensuring the taking up of a full scale audit of the Accounts of the ULBs, prepared under the new system from 4 months of the current date.
- (d) Reports to the Government, and suggesting mechanisms to ensure the continuity of the Accounting Reform, which shall include, aspects, such as BPR of Accounting and Auditing, Electronic payments in the ULBs etc.
- (e) The Cell shall function under the direct control and supervision of the MIS expert XIII Finance Commission Cell (Day to Day Operational Activities) and Deputy Director of State Audit. (Overall Accounting & Audit Aspects)

- iv. The required Funds for expertise and support services , provided by the Director State Audit will be paid in quarterly basis by the DMA from the XIII FC & APUFIDC funds pooled up/allocated for the implementation of DEABAS as per the costing pattern suggested by the Director State Audit for providing the expertise and support services(MAARC).
- v. The MAARC Cell shall , initially be in place during the XIII Finance Commission period.
- vi **A Municipal Accounts & Audit Coordination Committee (MAARC)** will constituted with the following officers/functionaries, which will meet 2nd Monday (next day, if it happens to be holiday) of every month under chairmanship of DMA:
 - a. Project Director, APMDP - Member
 - b. Director, Local Fund Audit - Member
 - c. Addl. Director, O/o.DMA - Member
 - d. Assistant Secretary , Finance(TFR) - Member
 - e. UGE, APUFIDC - Member
 - f. RDMA (Hyd)/Joint Director, (XIII FC), O/o DMA - Member
 - g. Joint Director (ULB Accounts) , O/o DMA - Member
 - h. Deputy. Director, State Audit Department - Member
 - i. Domain Expert from M/s. CGG - Member
 - j. MIS Expert, APUFIDC/XIII FC Cell, O/o.C&DM - MemberConvenor
- vii. The Committee will review the progress of (A) Accounts and Audit of ULBs (B) Functioning of Cell (MAARC) including issue of guidelines necessary for the Cell and consider & augment the support and technical staff in the Cell as per future requirements (C) Strengthening & Institutionalization of process initiated in this front and of all Accounting & Auditing Reforms taken up in AP (D) other related issues (E) any other issue included by the DMA.

11. The Director of Municipal Administration is requested to take necessary action accordingly, and shall send a progress report on this issue every quarter without fail.

12. This order issues with the concurrence of Finance Department vide their UO No. 16322/73/FC.I/11 dt 1.7./2011.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Dr.VIJAY KUMAR
SECRETARY TO GOVERNMENT

To

The Project Director, APMDP, Hyderabad
The Director, Local Fund Audit, Hyderabad
The Additional Director, O/o Director of Municipal Administration, Hyderabad.
The Assistant Secretary to Government, Finance (TFR) Department,
Secretariat, Hyderabad
The Urban Governance Expert, APUFIDC Ltd., O/o CDMA, Hyderabad.
The Regional Director (Hyderabad), Municipal Administration, Hyderabad /
and Joint Director (13th FC) O/o. DMA., Hyderabad.
The Joint Director (ULB Accounts) O/o. DMA., Hyderabad.
The Domain Expert from M/s. CGG., Hyderabad.
The MIS Expert, APUFIDC/XIII FC Cell, O/o. DMA., Hyderabad.
The Deputy Director, State Audit Department, O/o Director, State Audit,
Hyderabad.

Copy to:

The Finance (FC) Department.
The P.S. to Hon'ble Minister for (MA)
The P.S. to Secretary, MA & UD Department.
The P.A. to Special Secretary to Government.
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//FORWARDED BY ORDER//

SECTION OFFICER